United Nations A/58/77/Add.1–E/2003/62/Add.1

General Assembly
Economic and Social Council

Distr.: General
21 May 2003

Original: English

General Assembly
Fifty-eighth session
Item 106 (a) of the preliminary list*
Follow-up to the International Conference on Financing for Development

Economic and Social Council
Substantive session of 2003
Item 6 (a) of the provisional agenda**
Implementation of and follow-up to major United Nations conferences and summits: follow-up to the International Conference on Financing for Development

Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization (New York, 14 April 2003)

Note by the Secretariat***

Addendum

Summary of the hearings and dialogue of the Economic and Social Council with members of civil society (New York, 20 March 2003)

* A/58/50/Rev.1 and Corr.1.
** E/2003/100.
*** The present note was prepared by the staff of the Financing for Development Office of the Department of Economic and Social Affairs of the Secretariat, in consultation with the non-governmental organization International Facilitating Group on Financing for Development.

03-36807 (E) 170603

Summary

In preparation for the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization, held on 14 April 2003, on the theme "Increased coherence, coordination and cooperation for the implementation of the Monterrey Consensus of the International Conference on Financing for Development at all levels one year after the Conference" (Economic and Social Council decision 2003/209), the Council had conducted public hearings and an interactive dialogue with representatives of non-governmental organizations that are in consultative status with the Council and/or accredited to the Financing for Development process. The event, chaired by the Vice-President of the Economic and Social Council, Marjatta Rasi (Finland), took place at United Nations Headquarters on 20 March 2003. The hearings and dialogue featured panel discussions on the following five topics: (i) External debt; (ii) International trade; (iii) Reform of global governance; (iv) Millennium Development Goals and Official Development Assistance; and (v) Policy coherence. Each panel meeting consisted of presentations by civil society representatives followed by discussions with Council delegates, including questions from the audience. Salient substantive features of the proceedings of the morning and afternoon sessions are summarized below.

I. Morning session

1. The Chairperson of the meeting, Marjatta Rasi (Finland), Vice-President of the Economic and Social Council, welcomed all panellists and participants to the meeting. In her introductory remarks, Ambassador Rasi called upon the diplomatic community, civil society, institutional stakeholders and the private sector to intensify their efforts for the implementation of and follow-up to the significant agreements embodied in the Monterrey Consensus of the International Conference on Financing for Development.[1] She reiterated that the Council remained fully committed to "staying engaged" and would do its part to maintain the focus on the goals of Monterrey through its spring meeting with the Bretton Woods institutions and the World Trade Organization (WTO) on 14 April 2003 and its substantive session in July 2003. Later in 2003, the General Assembly, at the high-level dialogue on financing for development, would take stock of the actions taken by the international community in follow-up to the Monterrey Conference. The Chair also reminded participants that building partnerships with civil society had been featured in the recent report of the Secretary-General on the further strengthening and reform of the Organization (A/57/387 and Corr.1).

2. Nitin Desai, Under-Secretary-General for Economic and Social Affairs, acting as the moderator of the morning session, underscored the importance for civil society to stay engaged in the follow-up process to the Monterrey Conference. He emphasized that the outcome of the Conference was the beginning of a process and provided a platform and space for follow-up efforts by all stakeholders. Civil society had a prominent role to play in addressing key issues of the Monterrey Consensus. The participation of non-governmental actors was required to ensure that the agreements and commitments reached at the Monterrey Conference were implemented fully and that the Financing for Development process remained high on the United Nations agenda.

Panel 1: External debt

Overview

3. The two major initiatives designed to alleviate developing country external debt, the Heavily Indebted Poor Countries (HIPC) Initiative and the Sovereign Debt Restructuring Mechanism (SDRM), as proposed by the International Monetary Fund (IMF), came under strong criticism from the panellists and some other participants of the meeting.

Presentations

4. Barbara Kalima, African Forum on Debt and Development (AFRODAD), stated that the HIPC Initiative, as a mechanism, had not been able to provide a "robust exit" from the unsustainable debt burdens of developing countries and, as a source of development finance, had failed to make available enough resources to reduce their poverty levels, let alone to meet the Millennium Development Goals.[2] She referred to the track record of the Initiative in Africa, where despite debt relief efforts, debt levels remained unsustainable and 18 least developed countries were not part of the programme. Furthermore, Ms. Kalima pointed to the absence of correlation between the goals of debt relief and poverty reduction, as stipulated in the Millennium Development Goals, noted that the HIPC Initiative ignored the issue

of "illegitimate debt" (i.e., loans extended to corrupt and repressive regimes), thereby undermining a strong argument for their outright cancellation, and criticized multilateral creditors for their lack of commitment to providing enough funding for the Initiative. The panellist proposed that Third World debt be cancelled completely and unconditionally to reduce poverty and achieve the Millennium Development Goals, that initiatives for debt relief of heavily indebted poor countries and Poverty Reduction Strategy Papers (PRSPs) be unlinked and that a fair and transparent arbitration mechanism be established within the United Nations to seek redress for illegitimate debts.

5. Henry Northover, Coopération internationale pour le développement et la solidarité (CIDSE), shared Ms. Kalima's conclusion that achieving debt sustainability and poverty reduction were mutually exclusive goals, owing to the lack of adequate finances needed to attain both objectives. Mr. Northover called for reshaping the debt sustainability analysis around a broader set of development objectives. More specifically, he urged that debt sustainability analysis be expanded into poverty reduction sustainability analysis, where the financing needs of developing countries would be examined in relation to their attaining the Millennium Development Goals. The panellist considered the achievement of the Goals to be the "gold standard" of international development cooperation.

6. Juergen Kaiser, Jubilee Debt Network — Germany (Erlassjahr.de), noted that the Monterrey Consensus welcomed efforts to consider an international debt workout mechanism to restructure unsustainable debts in a timely and efficient manner. However, he did not agree that SDRM, as proposed by IMF, was the solution to developing countries' debt problems. In his opinion, the Mechanism was weak and lacked decision-making power and impartiality, which he considered the most important elements in any insolvency framework. The lack of impartiality, he argued, was the reason behind the almost iterative nature of several Paris Club negotiations, while the presence of impartiality was responsible for the success of the international debt negotiations in Indonesia in 1969. Instead, he proposed an international debt arbitration panel with decision-making powers and full control over the debt negotiations and their outcome. Members of the panel could be selected in equal numbers by the parties involved, with the panel members themselves then choosing an additional person to break any tie votes. Panel members could also be chosen from an existing pool of arbitrators by a neutral party, such as the Secretary-General of the United Nations. The speaker preferred the former option, where responsibility was more dispersed, thereby providing a greater sense of ownership to the process. However, a third option, whereby parties selected their representatives from a pool of arbitrators, might be even more useful. All stakeholders, he declared, must be involved in the process and monitoring must take place during the negotiations.

7. What should be the role of IMF in the negotiations process? Not considerable, according to Mr. Kaiser, who suggested that the Fund's participation should be limited to providing data or any other relevant information. The final interpretation of that data, such as determining the appropriate level of debt sustainability or the need for debt write-offs or rescheduling, would be the exclusive domain of the independent panel. In recommending a reduced role for IMF, Mr. Kaiser alluded to the Fund's unique position of being both a lender and a policy advising institution, which could be seen as an unfair advantage over other creditors. He was also critical of the "natural monopoly" of the Fund over the assessment of the economic situation

of debtors. The panellist proposed that an equitable, rules-based process of international debt management should be made available to any sovereign State that, whether by its own fault, or by irresponsible actions of its creditors, or by force majeure, could find itself in an unsustainable debt situation.

Discussion

8. Several participants wondered whether there were other mechanisms that could do a better job than the HIPC Initiative at realizing the goals of debt sustainability and poverty reduction for developing countries. Some delegations were of the view that civil society organizations could play a larger role in effecting reforms in heavily indebted poor countries since they were able to mobilize public opinion towards a particular plan of action. One delegation (Japan) announced that through its national bank for international cooperation, it would forgive official development assistance (ODA) debts of eligible countries and would end the practice of dispensing debt-servicing grants, comparable to what other creditor countries did. For non-heavily indebted poor countries, ODA debts would be cancelled as they fell due, with the balance of debt to be completely forgiven by fiscal year 2008.

9. In closing the panel discussion, Mr. Desai said that the panel brought two issues to the forefront of the debate on external debt management reform. The first was the issue of policy coherence and consistency between the objective of debt relief and the Millennium Development Goals; the second related to SDRM and how the Monterrey Conference had elevated the issue of debt relief to the top of the agenda in policy discussions. Debt relief, he concluded, should be viewed in the context of development and the attainment of the Millennium Development Goals.

Recommendations

10. Members of civil society made the following recommendations:

- **Cancel the debt of developing countries unconditionally**
- **Establish a fair and transparent arbitration mechanism on debt within the United Nations**
- **Reform the international strategy regarding the official debt of poor countries and take into account the problems of debt distressed low-income countries that are not currently eligible for special treatment under the HIPC Initiative**
- **Give the Governments of developing countries the chance to determine their own approaches to poverty reduction, in consultation with civil society groups and other partners, and do not have the forms of participation prescribed to them by external powers, as is currently evident under PRSPs**
- **Unlink HIPC debt relief and PRSPs**
- **Examine seriously the political and economic motivations for creditors to give loans at the global level**
- **Recast the sustainability criteria in the HIPC Initiative around an alternative set of measures, including analysis of the relationship between**

the goal of debt sustainability and broader poverty reduction goals such as the Millennium Development Goals

- **Support a fair and transparent arbitration process between debtor and creditor countries by establishing an impartial, international debt arbitration panel that should be in full control over debt negotiations and their outcome.**

Panel 2: International trade

Overview

11. Panellists and participants underscored the crucial link between trade and development and supported the commitment in the Monterrey Consensus to a rules-based, non-discriminatory and equitable multilateral trading system.

Presentations

12. Saradha Ramaswamy Iyer, Third World Network (TWN), criticized the development deficit at WTO. She claimed that the current trading system impeded the achievement of the Millennium Development Goals and was not conducive to generating resources for development. She also expressed dissatisfaction with the slow pace of elimination of agricultural export subsidies in developed countries that had been proposed and the uncertainty of their adoption by all developed countries. The panellist deplored the fact that trade courts were outside public scrutiny and highlighted the limited scope and magnitude of proposed reductions in domestic agricultural support, a tool that mainly developed countries had the resources to employ and that kept their commodity prices below production costs.

13. Sophia Murphy, Institute for Agriculture and Trade Policy (IATP), pointed out that increased trade was not sufficient to promote development, but that trade needed to be integrated into development policy to be a useful development tool in addressing the multifaceted demands of development. She also identified the volatility of world commodity prices as a crucial issue in developing country exports that had not been addressed. She noted that agricultural trade rules in fact penalized measures such as publicly managed reserves of commodities that could help to control the oversupply of commodities by developing countries, the main cause of large declines in commodity prices.

14. Ms. Murphy called for the integration of WTO into the United Nations system, as WTO was not set up to deal with development. The panellist asked about the role the Economic and Social Council could play in promoting that proposal. She highlighted concern about the slow progress in trade negotiations and the lack of consideration for the conditions and needs of developing countries in the implementation of the Doha Development Agenda.[3] In that regard, Ms. Murphy emphasized the need to implement meaningful special and differential treatment of developing countries in WTO and other international trade agreements.

15. Maria Teresa D. Pascual, Foundation for a Sustainable Society, Inc., focused on the issues of privatization of basic services in developing countries and the implementation of the General Agreement on Trade in Services (GATS). In that regard, she expressed concern about the expected pace of liberalization of trade in services by developing countries, given the generally rudimentary level of

development of that sector of their economies. Based on the experience with the privatization of water distribution in the Philippine capital that had led to adverse consequences for the local population, the panellist saw pressures generated by GATS to privatize basic services in the Philippines and open them to foreign service providers.

Discussion

16. While some participants pointed out that privatization was not an obligation under GATS, others countered that pressure to privatize was in fact exerted by economically powerful countries on developing countries. Several participants from developing countries supported the view that the requirements of GATS needed to be rethought. On the issue of privatization, some speakers expressed concern that agreements reached at the World Summit on Sustainable Development[4] regarding public-private partnerships promoted the privatizations in question. Mr. Desai stated that privatizations differed from public-private partnerships: privatizations were business decisions and activities, whereas World Summit-sponsored partnerships were not-for-profit activities involving the collaboration of public and private entities, including initiatives by non-governmental organizations (NGOs).

17. Several participants highlighted the lack of progress in negotiations on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and public health and the resultant poor prospects for the improvement of access to life-saving pharmaceuticals in poor countries. That was a further illustration of the importance of coherence in the case of trade agreements and international and national efforts to tackle the HIV/AIDS pandemic and endemic diseases.

18. A number of speakers expressed concern that some regional and bilateral free trade agreements imposed obligations on developing countries not to reimpose capital controls. Such obligations could have important implications for the financial stability of some countries. In addition, they were negotiated outside the international economic and trade governance structures. Some participants recommended that WTO should not accept those obligations and that members of WTO and the Economic and Social Council should discuss that issue at their meetings. In that regard, Mr. Desai reminded participants that trade negotiations dealt with very complex and technical issues and that the Council should select topics on which interface with WTO would be most effective.

19. The representative of the European Commission stressed the need to provide technical assistance for capacity-building so that developing countries would be able to benefit from the results of the Doha Agreement. Ongoing negotiations on agriculture trade had ignored the large gaps in capacity between developed and developing countries to support their agricultural sectors. The focus on proposals on market access in developing countries without taking into account the concern of developing countries about maintaining the production of certain crops that were vital to their food security was a case in point.

Recommendations

20. Participants put forward the following recommendations:

- **Keep sectors such as water, health, education and other basic services from GATS and privatization and work together to make a public sector option viable**
- **Ensure a more flexible policy approach to trade by integrating WTO into the United Nations system**
- **End double standards of advocating trade liberalization in the South and imposing barriers in the North**
- **Make special and differential treatment at WTO and in all international trade agreements operational**
- **Effectively prohibit the practice of selling commodities at less than the cost of production**
- **Build trade rules that are rooted in development and that will maximize decent employment, increase local capital flows and ensure a safe, stable and adequate food supply to protect every person's fundamental human right to food**
- **Shift the focus from promoting liberalization and market access to fostering development**
- **Reverse the course of the discussion on the agreement on TRIPS and the Agreement on Trade-Related Investment Measures (TRIMS)**
- **Do not begin negotiations of rules on investment, competition, government procurement and trade facilitation — the so-called "Singapore issues"**
- **Countries should "just say no" to the addition of any new issues to the WTO agenda and pay close attention to the small print in free trade agreements, as they could be a Trojan Horse**
- **Eliminate the restrictions on capital controls that some regional and bilateral free trade agreements impose on developing countries.**

Panel 3: Reform of global governance

Overview

21. The panel addressed issues of reform needed for the democratization of global governance to enable meaningful and equitable participation of all countries in international decision-making. An illustration was how the failings of international governance had led to the failure to arrive at international agreements necessary to reverse the HIV/AIDS pandemic and improve other aspects of health in poor countries. Panellists recognized global governance reform as a fundamental requirement for achieving the Millennium Development Goals.

Presentations

22. Laura Frade, Alternativas de Capacitación y Desarrollo Comunitario (ALCADECO), focused on democratizing the operations of IMF and the World Bank at the country level and domestic reforms that would promote democratization in governance at the international level. She highlighted the lack of national representation in country programmes, such as the World Bank Country Assistance

Strategies and IMF letters of intent. As they were negotiated between the Bretton Woods institutions and finance ministers and usually bypassed the legislative system, many programmes were not adopted by elected representatives and there was no accountability to the people on the part of the Bretton Woods institutions or ministers. Moreover, in spite of recent efforts at increased consultation, the input of civil society was not taken into account in the formulation and negotiation of agreements.

23. As the legal framework for relations between countries and the Bretton Woods institutions was embodied in national legislation and in the Articles of Agreement of the Bretton Woods institutions, any changes would require changes in country legislation and changes in the Articles of Agreement. The panellist brought up the possibility that the momentum generated by commitments made by the executive branch of countries at United Nations conferences could instigate those changes. In addition, reforms to improve transparency, accountability and participation in domestic governance as well as changes in relationships among ministries and between the legislative and judicial branches were needed.

24. John Foster, North-South Institute, underlined the failure of current international governance in achieving the commitment expressed in the Millennium Development Goals to reverse the HIV/AIDS pandemic and improve all aspects of health in developing countries. The Global Fund, created under the leadership of the Secretary-General, encountered difficulties in getting donors to meet funding objectives. The Doha Agreement on TRIPS and public health recognized the need for mass access to treatment and care in developing countries and the need for those countries to take measures to protect public health. But there had been no progress in addressing that problem in small poor countries and prospects of doing so at the September ministerial meeting in Cancun were uncertain.

25. Mr. Foster believed that United Nations forums could provide appropriate policy space to reorganize the priorities of WTO agreements and to promote coherence between trade objectives and Millennium Development Goals, as well as national ownership of development strategies. He also identified other initiatives that provided space outside the purview of WTO agreements, including a WHO process on reaching multilateral agreements on health concerns, such as an international convention on tobacco.

26. Frank Schroeder, Friedrich-Ebert-Stiftung (FES)/New Rules for Global Finance Coalition, presented proposals for specific reforms in the governance structure of the Bretton Woods institutions to make them more accountable, participatory and transparent. One area of change was the reallocation of voting power on the Executive Boards to developing countries. The voting structure was heavily skewed towards rich countries, as such power was mainly based on the quota contributions of member countries. However, that no longer reflected the importance of developing countries in world trade and finance. One way to raise the participation of small and poor countries was to increase another component of voting power, the "basic votes", which was based on the principle of the equality of States. A second area of change was in the composition of the Executive Boards so that there was a greater number of Executive Directors representing developing countries. That would result in better representation of the interests of those countries and enable them to better develop the expertise needed for effective participation in policy negotiations and discussions in those forums. A third reform

was aimed at increasing the accountability of Executive Directors. That would require formal votes by Executive Directors on decisions taken by the Executive Board and making those votes public.

Recommendations

27. The panellists presented the following recommendations:

- **Impel the democratization of IMF/World Bank mechanisms at the country level by discussing the Country Assistance Strategy and all its related documents and inputs, the individual projects and the technical operations with parliament, civil society, the unions and the private sector. Binding mechanisms should be established with parliaments in each country. The IMF letter of agreement and the process that led to it should also be subject to consultations and ratification by the parliaments of member countries**
- **Reform section 1, article V, of the Articles of Agreement of the International Monetary Fund so as to establish a mechanism in which the parliament and the judiciary at the national level would also be consulted for some decisive issues on macroeconomic matters**
- **Enact a parliamentary process to select country representatives to multilateral development banks, based on government proposals on alternative candidates, with due regard to gender balance**
- **Ensure that international economic decision-making is open to the public, transparent and legislated in such a way that parliaments could monitor their country representatives to the Bretton Woods institutions, their work and decision-making, urging the establishment of accountability to peoples**
- **Reallocate voting power within the Bretton Woods institutions to ensure that the institutions represent the interests of the whole membership and that the block of borrowers and the block of creditor countries have an equal allocation of votes. The ratio of basic votes to total votes should be elevated to, at least, the ratio existing in 1944 and subsequently maintained through additional increases when quotas are increased. The formula for calculating quota contributions should be reviewed to ensure that it is an objective tool for measuring the size of member country economies**
- **A ceiling of no more than 10 countries per constituency should be established within the Executive Boards of the Bretton Woods institutions**
- **Supermajority voting requirements should be set to ensure that no single country has a veto on any decision. Consider the use of double-majority voting modalities to ensure that the interests of the major stakeholders and the borrowing countries in the Bretton Woods institutions are respected**
- **Board members should express their positions with formal votes rather than informal indications of position. Agendas, transcripts and minutes of World Bank and IMF Board meetings should be made publicly available to, inter alia, parliamentarians, civil society groups and academics.**

Exceptions to this principle should be narrowly drawn and only on grounds of clear indications of harm that could result from such disclosure. The creation of committees or sub-boards should be considered as a way to increase the Board's capacity to monitor the staff of the Bretton Woods institutions more effectively

- Minority shareholders should be able to evaluate the programmes and projects of the international financial institutions in their respective countries on a regular basis and in an open and transparent manner. Regional resource centres with independent expertise should be created in order to strengthen the capacity of developing countries

- The heads of the Bretton Woods institutions should be selected through a transparent process that involves all member countries and assesses candidates on merit, regardless of their nationality. The disclosure of criteria to decide on candidates, initial lists of candidates being considered and votes cast by individual Executive Directors on the proposed candidates is essential. Geographical diversity in top positions should be widely encouraged

- The international financial institutions should further incorporate local knowledge in developing countries into their programmes and projects. This can be achieved by making further use of developing country-based professionals, national and regional research institutions and local NGO networks in the South

- The Relationship Agreements between IMF and the United Nations and between the World Bank and the United Nations should be renegotiated with an aim to: (a) clarify the responsibilities of IMF and the World Bank to the United Nations; and (b) enhance the ability of the United Nations to ensure that the Bretton Woods institutions fully respect the jurisdiction of other agencies, funds and bodies, particularly those with non-economic mandates. Permanent mechanisms for resolving jurisdictional disputes should be established

- The specific roles of United Nations specialized agencies should be strengthened in order to achieve a more balanced approach in the poverty reduction programmes of the international financial institutions and to secure the holistic nature of the programmes required to achieve the Millennium Development Goals

- The United Nations should undertake new international measures on an emergency basis for the provision of life-extending essential pharmaceuticals and other components of effective treatment, including adequate resources

- Proposals for new decision-making structures on economic policy issues within the framework of the United Nations should be explored, like the proposal on an economic security council put forward during the Monterrey Conference

- An economic and social security council should be established.

II. Afternoon session

28. The Chairperson of the meeting, Marjatta Rasi (Finland), Vice-President of the Economic and Social Council, welcomed all panellists and participants in the afternoon session and outlined the topics for panel discussions.

29. The moderator for the afternoon session, Eveline Herfkens, Executive Coordinator for the Millennium Development Goals Campaign, in her opening remarks, praised the crucial role civil society had played in the Financing for Development process, as well as the Millennium Development Goals Campaign. She urged NGOs to remain deeply engaged in the campaign, particularly at the national level. Ms. Herfkens underlined the significance of all Millennium Development Goals, specifically highlighting goal 8, which called for global partnership for development. The moderator reported that she had asked a consortium of European think tanks to develop some indices aimed at assessing the progress in meeting goal 8.

Panel 4: Millennium Development Goals and Official Development Assistance

Overview

30. Panellists and participants called on donor countries to honour their pledges and commitments related to the ODA target of 0.7 per cent of gross national product (GNP). Increased spending on ODA embedded in an open, rule-based, predictable, non-discriminatory trading and financial system was seen as crucial to achieving the Millennium Development Goals.

Presentations

31. Emira Woods, InterAction, Inc., deplored the lack of political will in some donor countries to include higher ODA commitments in parliamentary budgets and reiterated the call upon donor countries to honour their ODA pledges. Ms. Woods called for progress on debt relief and cancellation. She urged that the sustainability of foreign sovereign debt should be measured against the ability of indebted countries to achieve the Millennium Development Goals. She suggested conducting a review of the impact of commodity prices on debt sustainability as well as the development of mechanisms to ensure that countries that were dependent on trade in commodities were able to finance programmes for meeting the Millennium Development Goals in a sustainable way. Ms. Woods highlighted the importance of goal 8 and underscored the critical role civil society, social movements and trade unions could play in accomplishing the Millennium Development Goals.

32. June Zeitlin, Women's Environment and Development Organization (WEDO), described both the positive aspects of the Millennium Development Goals (e.g., time-bound numerical targets, endorsement by Heads of State or Government) and the negative aspects of the Goals (e.g., the insufficient emphasis on human rights, the inadequacy of limiting gender issues to the areas of education only and the lack of clarity about the source of funding to meet the Goals). Ms. Zeitlin underscored the cross-cutting nature of gender equality and women's empowerment as a necessary foundation for all Millennium Development Goals.

Discussion

33. One NGO representative identified programme coherence issues in the World Bank and IMF definitions of "debt sustainability" and the Millennium Development Goals. For example, the definition included income flows from commodity exports, which were highly volatile; yet developing countries were expected to keep their debt level quite stable. She also stressed the importance of impartiality in any new sovereign debt restructuring mechanism. The SDRM structure should include an impartial decision-making system, an impartial assessment of the economic situation of the debtor and an impartial protection of all categories of creditors. The speaker considered the removal of agricultural subsidies and the ensuring of market access for all products of developing countries as the two critical steps in that regard.

34. Several delegations reiterated the call for all donors to meet their Monterrey commitments in increasing ODA levels, stressed the greater recognition of policy and programme coherence by Governments and commented on some factual issues raised by the panellists. Speakers also raised questions about the relationship between sustainable development and the Millennium Development Goals, and the role of PRSPs in the implementation of the Goals, the role of debt sustainability analysis with regard to the Goals, the correct balance between ODA and foreign direct investment in underwriting infrastructure projects, and compatibility of trade policy and international efforts to eradicate poverty.

35. In conclusion, the moderator underscored the development dividend of promoting the goals of gender equality and human rights and stressed that rapid implementation of those objectives was essential to human development and poverty eradication.

Recommendations

36. The following proposals were made by the speakers:

- **Set a timetable consistent with the deadline for achieving the Millennium Development Goals, for meeting the United Nations target of 0.7 per cent of GNP for ODA and advance steps towards untying aid**
- **Involve civil society, social movements and trade unions in developing solutions to the problems of poverty and inequity, increasing the effectiveness of development and creating conditions more suitable for achieving these goals**
- **Establish time frames or quantifiable benchmarks for goal 8**
- **Make gender equality and women's empowerment central to all the Millennium Development Goals.**

Panel 5: Policy coherence

Overview

37. Speakers reiterated the consensus reached in Monterrey on the need to enhance the coherence and consistency of the international monetary, financial and trading systems. Panellists and participants noted a lack of coherence between commitments and actions and stressed the crucial role NGOs could play in that regard by mobilizing public opinion at the national and international levels.

Presentations

38. Aldo Caliari, Centre of Concern, suggested changing the rules in the Agreement on Trade-Related Investment Measures towards more flexibility for developing countries, as well as more research on the impact of the Agreement on Trade-Related Intellectual Property Rights to ensure it did not compound a country's level of external debt. He also examined the debt roots of trade, the interrelationship between the conditionality for aid and trade, exchange rate stability, balance of payment safeguard provisions and the need for enhanced international financial stability.

39. Sylvia Borren, Netherlands Organization for International Development Cooperation (NOVIB/Oxfam Netherlands), called for more strategic cooperation among all stakeholders to implement policy proposals in a coherent fashion. A major gap lay between coherent policies (e.g., HIPC, ODA, TRIPS, Education for All) and their actual implementation. She underscored the link between increasing levels of debt and structural imbalances of trade experienced by developing countries and called for a halt in the application of trade-related conditionalities attached to debt relief programmes and bilateral or multilateral aid. She recommended that the Economic and Social Council high-level meeting with the Bretton Woods institutions and WTO should explore ways to improve the price and price stability of commodities of export interest to developing countries.

40. Austin Muneku, International Confederation of Free Trade Unions (ICFTU) — African Regional Organization (AFRO), called for a significant policy shift at the national and international levels towards people-centred development. Incoherence between social and economic policy in the form of one-sided financial interventions could, he argued, lead to massive lay-offs and increasing poverty. The panellist called for an amendment to GATS at the Fifth World Trade Organization Ministerial Conference in Cancun to exclude formally public services (education, health and essential public utilities) from privatization in order to ensure general access and called for the global promotion of core labour standards, as enshrined by the International Labour Organization.

Discussion

41. Some NGO participants noted a lack of coherence between commitments and actions and stressed the crucial role NGOs and youth could play in that regard by participating effectively in the Economic and Social Council discussion and in mobilizing public opinion at the national and international levels. Government participants recognized the importance of capacity-building and technical assistance at the national level and acknowledged the links between debt relief agreements and the use of trade surpluses. Some NGO participants asked Ms. Herfkens to promote the Tobin tax in the campaign for the Millennium Development Goals. The moderator responded by noting that the Tobin tax was not a likely source of financing for development, as it was far easier to campaign country by country to increase ODA. She concluded the discussion by once again underscoring the importance of goal 8 of the Millennium Development Goals for more coherence of actions at the intergovernmental level and urged civil society to remain deeply engaged in the ongoing financing for development process.

Recommendations

42. The following recommendations were put forward:

- **The debt of developing countries should be written off to the degree that "dumping" by their trading partners has undermined their foreign exchange revenues**
- **Study the ways in which the unregulated use of hedging instruments has contributed to the increased volatility of the prices of commodities with a view to recommending the appropriate financial regulatory measures**
- **Recognize the right of developing countries to use trade-related investment measures fully, as they deem appropriate, to ensure that some of the benefits from foreign investment help to build and upgrade the industrial base in the host economy**
- **Study the ways and amounts in which the implementation of the Agreement on Trade-Related Intellectual Property Rights is likely to compound the levels of external debt of developing countries, with a view to recommending changes in the rules of the Agreement on TRIPS**
- **Consider the possible establishment of a debt relief mechanism through which debt reduction initiatives can help developing countries strengthen supply-side capacity for upgrading and diversifying exports and open more options for trade policy design. Such debt relief or cancellation should not be at the expense of ODA or already committed debt relief**
- **Halt the application of trade-related conditionalities attached to debt relief programmes, at least until the ways in which debt problems curtail the ability of the indebted country to engage in the trading system on favourable terms have been adequately studied and addressed**
- **Assess, with the cooperation of NGOs and local and national peoples' movements and networks, the impact that required policy reforms will have on the borrowing country, as they interact with current or potential trade obligations the country has to abide by**
- **Identify the ways in which bilateral and multilateral conditionalities and criteria have reduced the negotiating options of the recipient countries in past multilateral trade negotiations with a view to establishing a formal mechanism that grants them corresponding credit in ongoing negotiations on liberalization measures unilaterally undertaken**
- **Halt the application of trade-related liberalization conditionalities and criteria attached to bilateral and multilateral loans and grants**
- **Create a mechanism for ensuring the coordination of macroeconomic and exchange rate policies among reserve currency countries. This mechanism should take into account the impact of dramatic exchange rate fluctuations and misalignments on the trade performance and debt-service obligations of the economies of developing countries**
- **Create a regular and predictable mechanism to ensure that developing countries can opt out of their trade obligations to the extent required to**

compensate for the impact of foreign exchange rate misalignments on their economies

- **Redefine the conditions under which countries can introduce current and capital account controls**
- **Rethink the role of IMF, especially with respect to article XV:2 of the General Agreement on Tariffs and Trade 1994 and article XII:5(e) of GATS, in judging the adequacy of country reserves and other prerequisites that countries need to fulfil in order to implement current and capital account controls**
- **Address the currently overlooked need to achieve appropriate regulation of hedge funds, short-term capital flows and highly leveraged financial institutions in source countries**
- **Assess the current and potential impact of rules dealing with the liberalization of financial services on increased instability of financial flows with an aim to propose significant reforms and reversals in such rules**
- **Amend the terms of GATS at the Fifth World Trade Organization Ministerial Conference in Cancun to exclude formally public services (that is, education, health and essential public utilities) and exclude public services provided at subnational levels and socially beneficial service sector activities from all further GATS negotiations**
- **Amend article XXI of GATS to include an explicit clause to enable Governments to withdraw or diminish their GATS commitments and do not include privatization as conditionality in the loan agreements of international financial institutions.**

Notes

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[2] A/56/326, annex.

[3] See A/C.2/56/7, annex.

[4] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum).